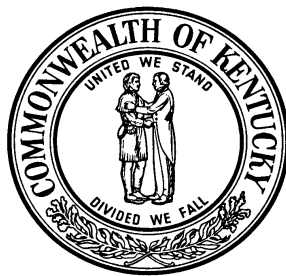


**REPORT OF THE AUDIT OF THE
TRIGG COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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LETTER OF TRANSMITTAL
AUDIT EXAMINATION OF THE
TRIGG COUNTY FISCAL COURT

June 30, 2007

The Auditor of Public Accounts has completed the audit of the Trigg County Fiscal Court for fiscal year ended June 30, 2007. We have issued unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information. The financial statements of Trigg County Hospital, Inc., a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Trigg County, Kentucky uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit opinion unit.

Financial Condition:

The fiscal court had unrestricted net assets of \$1,566,554 in its governmental activities with total net assets of \$5,031,490 as of June 30, 2007. The fiscal court's discretely presented component unit had unrestricted net assets of \$1,212,534 with total net assets of \$1,588,557 as of April 30, 2007. The fiscal court had total debt principal as of June 30, 2007 of \$715,513 all of which was due within the next year. The discretely presented component unit had total debt principal as of April 30, 2007 of \$2,553,548 with \$547,964 due within the next year.

Comments and Recommendations:

- Trigg County Should Approve All Claims Prior To Payment

Deposits:

The primary government's deposits, as of January 31, 2007, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$157,386

The primary government's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the primary government's deposits in accordance with the security agreement.

The discretely presented component unit's deposits, as of April 30, 2007, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$714,271

The discretely presented component unit's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the discretely presented component unit's deposits in accordance with the security agreement.

Subsequent Events:

In September 2007, the Trigg County Public Justice Center Corporation (a blended component unit) issued \$12,280,000 of Lease Revenue Bonds, Series 2007.

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CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Stanley Humphries, Trigg County Judge/Executive
Members of the Trigg County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Trigg County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Trigg County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Trigg County Hospital, Inc., a discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented opinion unit is based on the report of the other auditors. Those financial statements reflect 100% of assets and revenues of the discretely presented component unit opinion unit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Trigg County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Trigg County Hospital, Inc., a discretely presented component unit, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statements are not reasonably determinable.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Stanley Humphries, Trigg County Judge/Executive
Members of the Trigg County Fiscal Court

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Trigg County Hospital, Inc.'s financial statements been prepared using the same basis of accounting as Trigg County, Kentucky, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Trigg County, Kentucky, as of June 30, 2007, and the changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above presented fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trigg County, Kentucky, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trigg County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 18, 2008 on our consideration of Trigg County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Stanley Humphries, Trigg County Judge/Executive
Members of the Trigg County Fiscal Court

Based on the results of our audit, we present the comment and recommendation, included herein, which discuss the following report comment:

- Trigg County Should Approve All Claims Prior To Payment

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

April 18, 2008

TRIGG COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Stanley H. Humphries	County Judge/Executive
Doug Taylor	Magistrate
Barry Littlejohn	Magistrate
Jon Goodwin	Magistrate
Lacy Bush	Magistrate
Kevin Terrel	Magistrate
Larry Lawrence	Magistrate
Donnie Tyler	Magistrate

Other Elected Officials:

H. B. Quinn	County Attorney
Glenn Cunningham	Jailer
Wanda Thomas	County Clerk
Pam Perry	Circuit Court Clerk
Randy Clark	Sheriff
Michael Bryan	Property Valuation Administrator
John R. Vinson, III	Coroner

Appointed Personnel:

Elsie Tinsley	Former County Treasurer
Lucy Oliver	County Treasurer
Ruth Anne Mitchell	Finance Officer
Tommy Hanberry	Road Supervisor

TRIGG COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

TRIGG COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Primary Government		Component Unit
	Governmental Activities	Totals	Trigg County Hospital, Inc. (April 30, 2007)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,566,554	\$ 1,566,554	\$ 559,375
Patient accounts receivable, net allowance of \$658,925			1,498,691
Estimated amounts due from third-party payers			1,344
Supplies			70,608
Prepaid Expenses and other			92,462
Total Current Assets	<u>1,566,554</u>	<u>1,566,554</u>	<u>2,222,480</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			2,669,487
Construction In Progress	337,013	337,013	
Land	234,000	234,000	
Buildings	1,537,358	1,537,358	
Vehicles	288,229	288,229	
Equipment	483,280	483,280	
Infrastructure Assets	1,300,569	1,300,569	
Internally designated for capital improvements			466,876
Total Noncurrent Assets	<u>4,180,449</u>	<u>4,180,449</u>	<u>3,136,363</u>
Total Assets	<u>5,747,003</u>	<u>5,747,003</u>	<u>5,358,843</u>
LIABILITIES			
Current Liabilities:			
Bond Anticipation Notes Payable	715,513	715,513	
Current maturities of long-term debt			197,531
Notes payable to banks			350,433
Accounts payable			557,187
Accrued employee-related expenses			569,286
Other accrued expenses			90,265
Total Current Liabilities	<u>715,513</u>	<u>715,513</u>	<u>1,764,702</u>
Noncurrent Liabilities:			
Debt Obligations - Due In More Than One Year			2,005,584
Total Noncurrent Liabilities			<u>2,005,584</u>
Total Liabilities	<u>715,513</u>	<u>715,513</u>	<u>3,770,286</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,464,936	3,464,936	376,023
Unrestricted	<u>1,566,554</u>	<u>1,566,554</u>	<u>1,212,534</u>
Total net assets	<u>\$ 5,031,490</u>	<u>\$ 5,031,490</u>	<u>\$ 1,588,557</u>

The accompanying notes are an integral part of the financial statements.

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TRIGG COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

TRIGG COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,177,775	\$ 5,253	\$ 67,405	\$ 120,988
Protection to Persons and Property	942,961	73,175	183,295	
General Health and Sanitation	265,955	19,003	36,743	
Social Services	11,330			
Recreation and Culture	154,497			30,798
Roads	1,002,245		1,769,557	
Total Governmental Activities	3,554,763	97,431	2,057,000	151,786
Total Primary Government	\$ 3,554,763	\$ 97,431	\$ 2,057,000	\$ 151,786
Discretely Presented Component Unit:				
Trigg County Hospital, Inc.	\$ 8,413,992	\$ 7,969,703		

General Revenues:

Taxes:

Real Property Taxes

Motor Vehicle Taxes

Hospital Taxes

Insurance Premium Tax

In-Lieu-Of Taxes

Other Taxes

Excess Fees

Legal Process

Miscellaneous Revenues

Interest Received

Noncapital appropriations - Trigg County

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

TRIGG COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		Component Unit
Primary Government		Trigg County Hospital, Inc. April 30, 2008
Governmental Activities	Totals	
\$ (984,129)	\$ (984,129)	
(686,491)	(686,491)	
(210,209)	(210,209)	
(11,330)	(11,330)	
(123,699)	(123,699)	
767,312	767,312	
(1,248,546)	(1,248,546)	
\$ (1,248,546)	\$ (1,248,546)	
		(444,289)
479,086	479,086	
104,892	104,892	
498,032	498,032	
323,002	323,002	
218,846	218,846	
277,136	277,136	
43,875	43,875	
95	95	
59,233	59,233	66,847
34,885	34,885	21,098
		518,277
2,039,082	2,039,082	606,222
790,536	790,536	161,933
4,240,954	4,240,954	1,426,624
\$ 5,031,490	\$ 5,031,490	\$ 1,588,557

The accompanying notes are an integral part of the financial statements.

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TRIGG COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

TRIGG COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	General Fund	Road And Bridge Fund	Justice Center Construction Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 746,453	\$ 773,025	\$	\$ 47,076	\$ 1,566,554
Total Assets	<u>\$ 746,453</u>	<u>\$ 773,025</u>	<u>\$</u>	<u>\$ 47,076</u>	<u>\$ 1,566,554</u>
 FUND BALANCES					
Reserved for:					
Encumbrances	\$	\$ 2,417	\$	\$	\$ 2,417
Unreserved:					
General Fund	746,453				746,453
Special Revenue Funds		770,608		47,076	817,684
Total Fund Balances	<u>\$ 746,453</u>	<u>\$ 773,025</u>	<u>\$</u>	<u>\$ 47,076</u>	<u>\$ 1,566,554</u>

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 1,566,554
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	5,724,369
Accumulated Depreciation	(1,543,920)
Liabilities:	
Due Within One Year - Bond Anticipation Notes	<u>(715,513)</u>
Net Assets Of Governmental Activities	<u>\$ 5,031,490</u>

The accompanying notes are an integral part of the financial statements.

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TRIGG COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

TRIGG COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road And Bridge Fund	Justice Center Construction Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,682,148	\$	\$	\$	\$ 1,682,148
In Lieu Tax Payments	218,846				218,846
Excess Fees	43,875				43,875
Licenses and Permits	5,253				5,253
Intergovernmental	344,378	1,769,557		112,519	2,226,454
Charges for Services	55,512			90	55,602
Miscellaneous	47,371	30,501		364	78,236
Interest	19,834	15,051			34,885
Total Revenues	<u>2,417,217</u>	<u>1,815,109</u>		<u>112,973</u>	<u>4,345,299</u>
EXPENDITURES					
General Government	790,319				790,319
Protection to Persons and Property	687,193			247,261	934,454
General Health and Sanitation	242,344			23,611	265,955
Social Services	11,330				11,330
Recreation and Culture	138,616				138,616
Roads		1,347,450			1,347,450
Capital Projects			337,013		337,013
Administration	392,688	122,536		11,026	526,250
Total Expenditures	<u>2,262,490</u>	<u>1,469,986</u>	<u>337,013</u>	<u>281,898</u>	<u>4,351,387</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>154,727</u>	<u>345,123</u>	<u>(337,013)</u>	<u>(168,925)</u>	<u>(6,088)</u>
Other Financing Sources (Uses)					
Borrowed Money			715,513		715,513
Transfers From Other Funds	378,500			171,043	549,543
Transfers To Other Funds	(171,043)		(378,500)		(549,543)
Total Other Financing Sources (Uses)	<u>207,457</u>		<u>337,013</u>	<u>171,043</u>	<u>715,513</u>
Net Change in Fund Balances	362,184	345,123		2,118	709,425
Fund Balances - Beginning	384,269	427,902		44,958	857,129
Fund Balances - Ending	<u>\$ 746,453</u>	<u>\$ 773,025</u>	<u>\$</u>	<u>\$ 47,076</u>	<u>\$ 1,566,554</u>

The accompanying notes are an integral part of the financial statements.

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TRIGG COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

TRIGG COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 709,425
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	1,031,754
Depreciation Expense	(235,130)
Borrowed Money	<u>(715,513)</u>
Change in Net Assets of Governmental Activities	<u>\$ 790,536</u>

The accompanying notes are an integral part of the financial statements.

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TO FINANCIAL STATEMENTS**

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TRIGG COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet – Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

Management of the Trigg County Hospital, Inc., a discretely presented component unit has prepared its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual basis of accounting recognizes revenues when they are earned and expenses when they are incurred. The funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the Statement of Net Assets.

B. Reporting Entity

The financial statements of Trigg County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

TRIGG COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

Trigg County Public Justice Center Corporation

The Trigg County Public Justice Center Corporation was created exclusively to issue bonds to finance construction of a new judicial center in Trigg County, Kentucky. The Trigg County Fiscal Court is essentially the same governing board as the Trigg County Public Justice Center Corporation and therefore has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Justice Center Corporation.

Discretely Presented Component Unit

The component unit column in the financial statements includes the data for the Trigg County Hospital, Inc. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column to emphasize its separateness from the fiscal court's primary government.

Trigg County Hospital, Inc.

The Trigg County Fiscal Court (Fiscal Court) appoints a voting majority of the Trigg County Hospital, Inc.'s governing board. The Trigg County Hospital, Inc. is financially accountable and legally obligated for the debt of the hospital as long as a lease dated July 23, 1999, by and between Trigg County and the Trigg County Public Hospital Corporation, a component unit of Trigg County Hospital, is in effect. The Trigg County Hospital, Inc. may make additional improvements to the hospital at its own cost, which becomes part of the hospital. Exclusion of this entity as a component unit of Trigg County would cause the county's financial statements to be misleading or incomplete. The financial information for the Hospital is presented discretely within Trigg County's financial statements.

Audited financial statements for the Trigg County Hospital, Inc. may be requested by contacting the Trigg County Hospital at (270) 522-2524.

C. Trigg County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Trigg County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Trigg County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

TRIGG COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets. 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation. 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major funds. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, and expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for each major individual governmental fund.

TRIGG COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Justice Center Construction Fund - This fund is used to account for construction costs for the Trigg County Justice Center.

Special Revenue Funds:

The Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Justice Center Construction Fund is presented as a capital projects fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIGG COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Buildings and Building Improvements	\$ 5,000	10-60
Vehicles	\$ 5,000	5-20
Equipment	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

TRIGG COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Trigg County Public Justice Center Corporation (blended component unit) and the Trigg County Hospital, Inc. (discretely presented component unit) are not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

J. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Trigg County Fiscal Court: Trigg County Industrial Development, Trigg County Senior Citizens, Trigg County Ambulance Service, Trigg County Water Districts, Trigg County Conservation District, Trigg County Library, and Trigg County Extension Service.

K. Jointly Governed Organizations

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following are considered jointly governed organizations of the Trigg County Fiscal Court: Trigg County/City of Cadiz Tourist Commission, and Trigg County/City of Cadiz Planning and Zoning Commission.

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 2. Deposits

The primary government and the discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial credit risk is the risk that in the event of a depository institution's failure, the deposits of public funds may not be returned. The primary government and the discretely presented component unit do not have deposit policies for custodial credit risk, but rather follow the requirements of KRS 41.240(4). As of June 30, 2007, the primary government's deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of January 31, 2007, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the primary government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$157,386

On April 30, 2007, the discretely presented component unit's deposits were exposed to custodial credit risk because the bank did not adequately collateralize the discretely presented component unit's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$714,271

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Decreases
Primary Government:			
Governmental Activities:			
Capital Assets Not Being Depreciated:			
Construction In Progress	\$	\$ 337,013	\$ 337,013
Land	224,000	10,000	234,000
Total Capital Assets Not Being Depreciated	224,000	347,013	571,013
Capital Assets, Being Depreciated:			
Buildings	2,081,110	175,403	2,256,513
Vehicles	530,808	55,250	586,058
Equipment	825,465	63,135	888,600
Infrastructure	1,031,232	390,953	1,422,185
Total Capital Assets Being Depreciated	4,468,615	684,741	5,153,356
Less Accumulated Depreciation For:			
Buildings	(680,145)	(39,010)	(719,155)
Vehicles	(251,930)	(45,899)	(297,829)
Equipment	(313,640)	(91,680)	(405,320)
Infrastructure	(63,075)	(58,541)	(121,616)
Total Accumulated Depreciation	(1,308,790)	(235,130)	(1,543,920)
Total Capital Assets, Being Depreciated, Net			
Buildings	1,400,965	136,393	1,537,358
Vehicles	278,878	9,351	288,229
Equipment	511,825	(28,545)	483,280
Infrastructure	968,157	332,412	1,300,569
Total Capital Assets, Being Depreciated, Net:	\$ 3,159,825	\$ 449,611	\$ 3,609,436
Governmental Activities Capital Assets, Net	\$ 3,383,825	\$ 796,624	\$ 4,180,449

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 46,609
Protection to Persons and Property	33,757
Recreation and Culture	15,881
Roads, Including Depreciation of General Infrastructure Assets	<u>138,883</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 235,130</u>

Capital asset activity for the discretely presented component unit for the year ended April 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Discretely Presented Component Unit:				
<u>Trigg County Hospital, Inc.:</u>				
Land	\$ 66,000	\$	\$	\$ 66,000
Buildings and leasehold improvements	5,222,718	123,499		5,346,217
Equipment	434,281	91,681		525,962
Capital leased assets	<u>465,314</u>	<u>6,120</u>		<u>471,434</u>
	<u>6,188,313</u>	<u>221,300</u>		<u>6,409,613</u>
Less Accumulated Depreciation For:				
Building and leasehold improvements	(2,508,733)			(2,508,733)
Equipment	<u>(885,436)</u>	<u>(345,957)</u>		<u>(1,231,393)</u>
Total Accumulated Depreciation	<u>(3,394,169)</u>	<u>(345,957)</u>		<u>(3,740,126)</u>
Capital Assets, net	<u>\$ 2,794,144</u>	<u>\$ (124,657)</u>	<u>\$</u>	<u>\$ 2,669,487</u>

Depreciation expense was charged to functions of the discretely presented major component unit as follows:

Discretely Presented Component Unit:

Trigg County Hospital, Inc.	<u>\$ 345,957</u>
Total Depreciation Expense - Component Unit	<u>\$ 345,957</u>

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Short-term Debt

A. General Obligation Anticipation Notes, Series 2006

On May 16, 2006, the Trigg County Fiscal Court approved an ordinance authorizing and approving the issuance of General Obligation Bond Anticipation Notes, Series 2006 in an amount not to exceed \$1,200,000, dated as of June 22, 2006 and maturing on October 1, 2007. No notes were actually issued until September of 2006. The purpose of the notes is the interim financing of the costs of acquisition, construction, and equipping of a court facility in Trigg County. As of June 30, 2007, the principal amount due was \$715,513, which has subsequently been paid in full with the proceeds from the issuance of the Trigg County Public Justice Center Corporation Lease Revenue Bonds, Series 2007.

Changes In Short-term Liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Anticipation Notes, Series 2006	\$	\$ 715,513	\$	\$ 715,513	\$ 715,513
Governmental Activities					
Short-term Liabilities	\$	\$ 715,513	\$	\$ 715,513	\$ 715,513

B. Trigg County Hospital, Inc. - discretely presented component unit

The Trigg County Hospital, Inc., a discretely presented component unit of Trigg County, Kentucky, periodically borrows funds from banks to finance capital asset acquisitions on an interim basis. The notes payable bear interest at variable rates ranging from 3.50% to 8.25%, mature in less than one year from issuance or are payable on demand. The notes are secured by various equipment and investments. The following is a summary of short-term notes payable to banks for transactions during the year.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely presented component unit:					
Trigg County Hospital, Inc.					
Notes payable	\$ 450,243	\$	\$ 99,810	\$ 350,433	\$ 350,433
Discretely presented component unit:					
Short-term Liabilities	\$ 450,243	\$	\$ 99,810	\$ 350,433	\$ 350,433

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt

The following is a summary of long-term obligation transactions for the Trigg County Hospital, Inc., a discretely presented component unit of Trigg County, Kentucky, for the year then ended April 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely presented component unit:					
Trigg County Hospital, Inc.					
Capital lease obligations -					
buildings (A)	\$ 1,570,000	\$	\$ 53,000	\$ 1,517,000	\$ 55,000
Note Payable to bank (B)	51,712		31,930	19,782	19,782
Note Payable to bank (C)	158,139		12,633	145,506	13,299
Note Payable to bank (D)		108,798	509	108,289	10,659
Note Payable to bank (E)		81,196		81,196	2,405
Capital lease obligations -					
equipment (F)	413,989	6,120	88,767	331,342	96,386
Discretely presented component unit					
Long-term Liabilities	\$ 2,193,840	\$ 196,114	\$ 186,839	\$ 2,203,115	\$ 197,531

- A. Trigg County Public Hospital Corporation (TCPHC) owns the building and substantially all fixed assets, which are operated by the Hospital. Using these assets as collateral, TCPHC issued bonds in 1966 and 1999 for capital improvements. TCPHC entered into a capital lease arrangement with Trigg County, Kentucky and the City of Cadiz. The terms of the lease mirror the terms of the 1966 and 1999 bonds. Titles of the leased assets revert to the City of Cadiz and Trigg County, Kentucky at the end of the lease. The County and the City entered into a sublease arrangement with the Hospital. The terms of the sublease are substantially the same as the lease agreement between TCPHC, the County and the City. The terms of the sublease require the Hospital to pay various principal amounts annually, including interest stated at 4.75%.
- B. Note payable to bank is due in November 2008 with principal and interest at prime, less 0.50% or 7.75% at April 30, 2007. The note is secured by certain equipment, accounts receivable, and supply inventories.
- C. Note payable to bank is due in February 2011 with principal and interest payments at 0.45% above the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one year or 5.15% at April 30, 2007. The note is secured by certain buildings.
- D. Note payable to bank is due in April 2017 with monthly principal and interest payments at 5.47%. The note is secured by certain buildings.
- E. Note payable to bank is due in March 2014 with monthly principal and interest payments at 5.50%. The note secured by certain equipment.
- F. Obligations for various equipment lease obligations with monthly payments ranging from \$185 to \$1,500, including interest from 0.00% to 10.40%. The obligations are secured by the leased equipment.

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Long-term Debt (Continued)

Debt service requirements for long-term obligations of the Trigg County Hospital, Inc., a discretely presented component unit of Trigg County, Kentucky follows:

Year Ended	To Be Paid	Principal	Interest
2008	\$ 294,841	\$ 197,531	\$ 97,310
2009	307,509	209,628	97,881
2010	278,859	189,973	88,886
2011	255,503	176,226	79,277
2012	164,719	96,651	68,068
2013 - 2017	767,779	502,106	265,673
2018 - 2022	636,615	483,000	153,615
2023 - 2025	381,535	348,000	33,535
	<u>\$ 3,087,360</u>	<u>\$ 2,203,115</u>	<u>\$ 884,245</u>

Note 6. Insurance

For the fiscal year ended June 30, 2007, Trigg County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Employee Retirement System

The Trigg County Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 8. Deferred Compensation

Trigg County Fiscal Court participates in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is present in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Restated Beginning Net Assets

The beginning net assets were decreased by \$4 due to rounding for a total net assets - beginning of \$4,240,954.

Note 10. Difference in Fiscal Year End of Discretely Presented Component Unit

The Trigg County Hospital, Inc., a discretely presented component unit of the Trigg County Fiscal Court, has a fiscal year end of April 30, 2007. The Fiscal Court, the primary government, has a fiscal year end of June 30, 2007. All amounts reported for the Trigg County Hospital, Inc. represent account balances, receipts, and disbursements as of April 30, 2007.

Note 11. Subsequent Event

Trigg County Public Justice Center Corporation Lease Revenue Bonds – Series 2007

In September 2007, the Trigg County Public Justice Center Corporation (a blended component unit) issued \$12,280,000 Lease Revenue Bonds, Series 2007. The purpose of these bonds will be to retire the Trigg County General Obligation Bond – Anticipation Notes, Series 2006 and to complete construction on Judicial Center.

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TRIGG COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2007

TRIGG COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,453,554	\$ 1,453,554	\$ 1,682,148	\$ 228,594
In Lieu Tax Payments	190,000	190,000	218,846	28,846
Excess Fees	47,195	47,195	43,875	(3,320)
Licenses and Permits	16,033	16,033	5,253	(10,780)
Intergovernmental Revenue	248,935	248,935	344,378	95,443
Charges for Services	52,349	52,349	55,512	3,163
Miscellaneous	20,000	20,000	47,371	27,371
Interest	3,000	3,000	19,834	16,834
Total Revenues	<u>2,031,066</u>	<u>2,031,066</u>	<u>2,417,217</u>	<u>386,151</u>
EXPENDITURES				
General Government	603,774	852,538	790,319	62,219
Protection to Persons and Property	688,482	726,535	687,193	39,342
General Health and Sanitation	217,564	249,792	242,344	7,448
Social Services	13,350	13,850	11,330	2,520
Recreation and Culture	125,786	150,286	138,616	11,670
Administration	376,989	417,144	392,688	24,456
Total Expenditures	<u>2,025,945</u>	<u>2,410,145</u>	<u>2,262,490</u>	<u>147,655</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>5,121</u>	<u>(379,079)</u>	<u>154,727</u>	<u>533,806</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	165,922	165,922	378,500	212,578
Transfers To Other Funds	<u>(171,043)</u>	<u>(171,043)</u>	<u>(171,043)</u>	
Total Other Financing Sources (Uses)	<u>(5,121)</u>	<u>(5,121)</u>	<u>207,457</u>	<u>212,578</u>
Net Changes in Fund Balances		(384,200)	362,184	746,384
Fund Balances - Beginning		<u>384,200</u>	<u>384,269</u>	<u>69</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 746,453</u>	<u>\$ 746,453</u>

TRIGG COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

ROAD AND BRIDGE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,000	\$ 6,000	\$	\$ (6,000)
Intergovernmental Revenue	1,094,002	1,735,008	1,769,557	34,549
Miscellaneous	16,000	16,000	30,501	14,501
Interest	6,000	6,000	15,051	9,051
Total Revenues	<u>1,122,002</u>	<u>1,763,008</u>	<u>1,815,109</u>	<u>52,101</u>
EXPENDITURES				
Roads	788,896	1,551,686	1,347,450	204,236
Administration	167,184	462,900	122,536	340,364
Total Expenditures	<u>956,080</u>	<u>2,014,586</u>	<u>1,469,986</u>	<u>544,600</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>165,922</u>	<u>(251,578)</u>	<u>345,123</u>	<u>596,701</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(165,922)</u>	<u>(165,922)</u>		<u>165,922</u>
Total Other Financing Sources (Uses)	<u>(165,922)</u>	<u>(165,922)</u>		<u>165,922</u>
Net Changes in Fund Balances		(417,500)	345,123	762,623
Fund Balances - Beginning		<u>417,500</u>	<u>427,902</u>	<u>10,402</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 773,025</u>	<u>\$ 773,025</u>

TRIGG COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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TRIGG COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

TRIGG COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

	Jail Fund	Local Government Economic Assistance Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 31,235	\$ 15,841	\$ 47,076
Total Assets	<u>\$ 31,235</u>	<u>\$ 15,841</u>	<u>\$ 47,076</u>
FUND BALANCES			
Unreserved:			
Special Revenue Funds	\$ 31,235	\$ 15,841	\$ 47,076
Total Fund Balances	<u>\$ 31,235</u>	<u>\$ 15,841</u>	<u>\$ 47,076</u>

The accompanying notes are an integral part of the financial statements.

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TRIGG COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

TRIGG COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	Jail Fund	Local Government Economic Assistance Fund	Total Non-Major Governmental Funds
REVENUES			
Intergovernmental Revenue	\$ 86,460	\$ 26,059	\$ 112,519
Charges for Services	90		90
Miscellaneous	364		364
Total Revenues	<u>86,914</u>	<u>26,059</u>	<u>112,973</u>
EXPENDITURES			
Protection to Persons and Property	247,261		247,261
General Health and Sanitation		23,611	23,611
Administration	11,026		11,026
Total Expenditures	<u>258,287</u>	<u>23,611</u>	<u>281,898</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(171,373)</u>	<u>2,448</u>	<u>(168,925)</u>
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds	171,043		171,043
Total Other Financing Sources (Uses)	<u>171,043</u>		<u>171,043</u>
Net Changes in Fund Balances	(330)	2,448	2,118
Fund Balances - Beginning	<u>31,565</u>	<u>13,393</u>	<u>44,958</u>
Fund Balances - Ending	<u><u>\$ 31,235</u></u>	<u><u>\$ 15,841</u></u>	<u><u>\$ 47,076</u></u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
Auditor of Public Accounts

Honorable Stanley Humphries, Trigg County Judge/Executive
Members of the Trigg County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Trigg County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 18, 2008 wherein we have issued a qualified opinion on the discretely presented component unit opinion unit because it reports on a different basis of accounting from that of the primary government. The discretely presented component unit was audited by other auditors whose report has been provided to us. Trigg County prepares its financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trigg County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trigg County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Trigg County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting:

- Trigg County Should Approve All Claims Prior To Payment

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Trigg County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- Trigg County Should Approve All Claims Prior To Payment

Trigg County Fiscal Court's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit Trigg County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

April 18, 2008

TRIGG COUNTY
COMMENT AND RECOMMENTDATION

For The Year Ended June 30, 2007

**TRIGG COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2007

STATE LAWS AND REGULATIONS AND SIGNIFICANT DEFICIENCY:

Trigg County Should Approve All Claims Prior To Payment

KRS 68.275(2) states that all claims shall be presented to the fiscal court for approval prior to payment. Based on testing procedures, auditor noted that 50 percent of claims were not approved by the fiscal court prior to being paid. This is also considered a weakness in internal controls. We recommend that the county comply with KRS 68.275 by presenting all claims to the fiscal court prior to payment and in effect strengthen internal controls.

County Judge/Executive Stanley Humphries' Response:

Will comply for the 07-08 Fiscal Year.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

TRIGG COUNTY FISCAL COURT

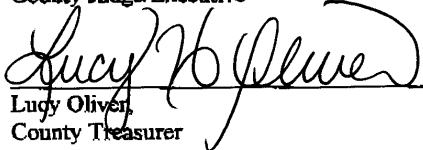
For The Fiscal Year Ended
June 30, 2007

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
TRIGG COUNTY FISCAL COURT
For The Fiscal Year Ended June 30, 2007

The Trigg County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Stanley Humphries,
County Judge/Executive



Lucy Oliver,
County Treasurer

